

MEETING MINUTES CITY OF MILPITAS

Minutes of: Special Meeting of Milpitas City Council
Date: Wednesday, October 18, 2017
Time: 5:30 PM
Location: Council Chambers, Milpitas City Hall,
455 East Calaveras Blvd., Milpitas

CALL TO ORDER

Mayor Tran called the meeting to order at 5:32 PM. City Clerk Mary Lavelle called the roll.

PRESENT: Mayor Tran, Vice Mayor Grilli, Councilmembers Nuñez and Phan

ABSENT: Councilmember Barbadillo was absent at roll call. He arrived near 5:45 PM.

PUBLIC FORUM

Voltaire Montemayor, Milpitas resident, spoke to the Council.

TASK FORCE

Chair of Citizens Task Force on Water Rates, Mrs. Evelyn Chua, presented her report to the Council, following 16 months of meetings by the Council appointed group.

Task Force member Liz Ainsworth presented recommendations from the Task Force, first, on water conservation, to remove the call for 10% reduction of water use by residential and commercial customers in the current ordinance. She explained why such action would be beneficial, related to the take-or-pay provision with wholesaler San Francisco Public Utilities Commission.

Mayor Tran announced that the City Council would take a break at 6:05 PM, and all members departed the dais. The Council reconvened at 6:21 PM.

Task Force Member Dan Manassau discussed the Cost Allocation Plan (CAP) to calculate various indirect costs that were not direct costs of the provision of water service, and those expended out of other funds into the General Fund. He listed three recommendations – to ask the Finance Director to review the CAP, to amend page 5 to include a rationale for the allocation basis used, and to direct staff to evaluate costs and benefits of a labor recording system.

Task Force member Elpidio Estioko presented a recommendation on communication, by implementing a proposed strategy. That included using various internal and external communication tools, media to reach stakeholders (rate payers), including material published in various languages.

Task Force member Ted Grish gave the recommendation for Two-Tiered Water Rates. He provided rationale for this recommendation, despite acknowledging the San Juan Capistrano court case declaring those invalid unless justified and in compliance with California Proposition 218. Mr. Ray

Maglalang discussed the legality of the application of the elements of that proposition on water rates. Mr. Robert Marini addressed City Council on the concept of a 30-year bond for water infrastructure improvements.

Councilmember Barbadillo responded to Mr. Marini saying there should be a study on uniform and tiered water rates, so that this subject could be looked at comprehensively. He needed to receive additional data.

Councilmember Phan asked if there had been any input by an auditor on any of what was presented and the Chair responded no. He noted that the Council may choose to hire a consultant to review the spreadsheet with resources described and to confirm data. Mr. Phan emphasized his belief that an audit would be needed of figures in the past water rate study by consultant Bartle Wells Associates.

Task Force member Tom Valore recommended the City consider assistance on water bills for low-income residents. He urged the Council to help those residents in need. Maybe the City could pursue grants for this purpose. New legislative bills at the state capital might allow for resources to provide such help.

Mrs. Chua then summarized objectives with the Task Forces deliverables, including the group's five recommendations.

Vice Mayor Grilli thanked the Task Force for the report and the great deal of time that the residents put in on this effort. They brought very useful recommendations to the City Council for further study.

The City staff report followed the Task Force report.

Acting Public Works Director Tony Ndah and Finance Director Will Fuentes presented an update on expenditure and revenue projections for the water utility. Mr. Ndah provided a copy of the December 2015 Water Rate Study by Bartle Wells Associates (referenced by Task Force members).

Mayor Tran asked about past history, why rates were studied in 2015, and what the reason was for coming up with proposed rate increases. Councilmember Nuñez asked if there were projects identified in the Capital Improvement Program (CIP) that needed funding. The Mayor wanted to know when rates were raised prior to the 2015 study. City Attorney Diaz responded to questions and comments.

Mr. Ndah presented a staff overview of water rates, and suggested that the Council could provide direction on: a water rate study, public outreach and communication.

Finance Director Will Fuentes gave a recommendation on the Cost Allocation Plan. He concurred with the Task Force, that it was good practice to periodically review and update the CAP. Results of a revised CAP could impact direct costs charged to the water utility (positive or negative).

Mr. Ndah gave a preliminary timeline for a rate study and the Proposition 218 process for the next rates for the water rate structure for FY 2018-19.

Mayor Tran asked what opportunity was there to revisit the Cost Allocation Plan. The Finance Director said he would need to address each cost driver, and determine that they were all appropriate. Mr. Tran asked Mr. Fuentes how much it would cost to hire a consultant to do this. The Finance Director said it would depend on the type of study, and if it was intensive time study it could cost between \$20,000 and \$30,000. It was possible staff could procure a program to take data to keep tracking of current time online.

Mayor Tran inquired about capital improvements related to water infrastructure. He wanted to have drought resistant landscaping versus spending a lot on bringing recycled water for landscaping around the city. In the Transit Area, many new structures required water and new recycling pipes there. He wanted to confirm that was covered by fees paid, which Mr. Fuentes replied to stating a big component of those costs were paid by TASP fees.

Councilmember Nuñez inquired about operation and maintenance expenses.

Vice Mayor Grilli recalled when adopting rates in past, it was only for one year. Communication to citizens last time about the water rates was poor and needed to improve.

Councilmember Nuñez asked about the recommendation regarding tiered rates, and if anything was new or different legally since last year. He asked if anything occurred that would change the possibility of doing so. City Attorney Diaz responded, that under specified circumstances including a rate study that justified such rates, it could possibly be done.

Councilmember Barbadillo commented on the 5-year projections of wholesale and operations costs to provide water service to the community, and on revenue deficits. He asked if tiered rates would work to cover the \$7.4 million deficit by FY 2021-22. Staff responded on the challenges. Mr. Barbadillo asked about issuing bonds to cover costs of the water service. He urged an aggressive approach on water rates and any revenue shortage anticipated.

Vice Mayor Grilli looked at the Preliminary Timeline for a rate study, and appreciated staff taking the Task Force recommendations seriously. On the CAP, she strongly believed in the need to bring in an outside consultant to do that work. She had earlier advocated strongly for a 10% water use reduction, while now perhaps there was a need to remove it based on the recommendation from the Task Force.

Councilmember Phan thanked the Task Force for its work and staff for information presented. He agreed with staff that a bond may be a good route to take for funding infrastructure upgrades. He asked the cost and the Public Works Director replied \$25 million in CIP projects. Mr. Phan asked about the General Fund and whether it could be spent on the water utility. Staff did not recommend that. Grants and Proposition 1 funding were also possible funding for the water projects.

Councilmember Nuñez looked again at the 5-year water utility projections and assumptions. He wanted staff to review all of those and to find out the positive impacts of some.

Vice Mayor Grilli would like to keep in mind the Task Force recommendations to explore options to help senior citizens and low income residents. She urged staff to explore what could be done legally to help needy customers.

Mayor Tran noted that cost of water was beyond the City's control. He asked Mr. Fuentes about how to support inquiry by Mr. Phan to find ways to fund the infrastructure upgrades, other than by rate increases. He questioned the amount of money going to the recycled water pipeline project rather than going to keep up potable water pipes.

Councilmember Phan asked about earned infrastructure financing districts (EIFDs), another possibility. Staff explained that costs were charged to each parcel then by shifting costs from a rate structure into a tax on property owners. Mr. Phan asked staff to come back on that concept.

Councilmember Barbadillo referred to the discussion on infrastructure and drought at the Santa Clara Water Commission. It was something to pass on to the next generation. While it costs money, agencies had to do it (infrastructure upkeep).

Some Councilmembers expressed interest to look into the General Fund to be expensed for capital costs that the city had for water. Staff could explore this to see if it made a dent on water costs. Councilmember Phan urged moving forward with a study, per Task Force recommendations, and include all of the options.

Vice Mayor Grilli suggested to get the staff recommendation and look at the Task Force recommendations too. Learn what the implications of all those options were and not to spend the General Fund just yet.

Councilmember Phan said, if moving forward with a bond, it would be helpful to have a timeline to have staff come back with steps to recommend to Council on bond financing.

Mayor Tran called for public comments and limited speaking to one minute.

Rob Means, resident, said rates needed to be raised to deal with deferred maintenance and highly rising costs for water.

Robert Marini, resident, said rates were raised every year from 2012–2016. The City used so much for potable water and recycled water. He quoted numbers from Task Force documents, suggesting revenue was lost to the water fund.

Bob Livengood, resident, lived in the mid-section of the Transit Area where resident paid a Community Facilities District fee. He asked if any of that

ended up in four categories, for which the City collected that fee. There was a small plaza at Abel and Great Mall, where all the turf was dead. Residents wanted to have it replaced, maybe with other than grass, in an area they enjoyed using.

Ted Grish, resident and Task Force member, quoted from an article in the Sacramento Bee, on researchers who found that household usage was lower under tiered rates versus uniform rates.

Voltaire Montemayor, resident, spoke of water not being used, rates for water, and the need to help people.

Joseph Weinstein, resident and Task Force member, referred to a past Citizens Budget Task Force. Past City Councils overspent and so realize what happened to the General Fund when revenues went down. Adopt a statement such as, use more water fast or your rates are going to go up no matter what, he stated.

Tom Valore, resident and Task Force member, noted that the last rate increase was announced a year before it went into place. City had dipped into reserves to cover cost increases. A bond could come at a great interest rate currently, while the City may need to pay higher rates possibly in the future.

Mayor Tran thanked the Task Force for its work and others in the audience, and asked staff what Council would do.

City Attorney Diaz said no motion was needed. Council would recommend that staff would move forward with staff recommendations with the additional caveat to exhaust all monetary options for the improvements, and other things to look at and return to Council.

Mayor Tran especially looked forward to the two-tiered proposal and its fiscal impact on families, and also the idea to help low income families.

Vice Mayor Grilli requested action on a future Council agenda to remove the 10% reduction of water use requirement. City Attorney Diaz replied that staff would work with Public Works on that.

ADJOURNMENT

Mayor Tran adjourned the special City Council meeting at 10:05 PM.

The foregoing minutes were approved by Milpitas City Council on November 7, 2017.

Mary Lavelle
Milpitas City Clerk